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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

France Telecom, S.A.,
Plaintiff,
vs.
Marvell Semiconductor, Inc.,
Defendant.

Case No. 3:12-cv-4967-WHO

Date: August 26, 2014
Time: 3:00 pm
Place: Courtroom 2, 17th Floor,
San Francisco Courthouse
Judge: Hon. William H. Orrick

**OPPOSITION TO DAUBERT MOTION TO EXCLUDE OPINIONS AND TESTIMONY
OF PROF. BRADFORD CORNELL**

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1 Plaintiff France Telecom, S.A. ("France Telecom") respectfully submits this brief in
2 opposition to Defendant Marvell Semiconductor, Inc.'s ("Marvell") *Daubert* Motion to Exclude
3 Opinions and Testimony of Professor Bradford Cornell (D.I. 187) ("Motion" or "Mot.").

4 **I. INTRODUCTION**

5 France Telecom has licensed the '747 Patent more than 50 times. With respect to the 3G
6 application at issue in this case, France Telecom has licensed the '747 Patent eight times. The
7 five volume suppliers of communications processors—Marvell's competitors—took lump sum
8 licenses for amounts ranging between [REDACTED].¹ The three licensees selecting
9 a running royalty license had *de minimis* sales or were exiting the business altogether. Bradford
10 Cornell, France Telecom's expert on damages—a professor of financial economics at Caltech,
11 who holds a Ph.D. in financial economics from Stanford University—considered these
12 comparable licenses and the other available evidence. Professor Cornell determined that
13 Marvell and France Telecom would have agreed to a lump sum license in the amount of €7.5
14 million in the so-called "hypothetical negotiation"—[REDACTED]

15 [REDACTED].²

16 In reaching this conclusion, Professor Cornell employed the well established "*Georgia*
17 *Pacific*" framework for determining the outcome of a hypothetical negotiation conducted just
18 prior to the first infringement on or about November 8, 2006. Professor Cornell's analysis is
19 fully consistent with the Court's summary judgment ruling and addresses what value France
20 Telecom and Marvell would have placed on a license to practice the '747 Patent in November
21 2006, based on the '747 patent's licensing history, Marvell's then-existing sales forecasts, and
22 the economic benefits that Marvell stood to gain by licensing the '747 Patent.

23 Marvell's complaints about Professor Cornell considering the Marvell "integrated
24 entity" are a side show. Professor Cornell offered an opinion about Marvell, not Marvell Asia
25 Pte., Ltd. ("MAPL") or some other "Marvell" entity. At deposition, Professor Cornell referred

26 ¹ The five lump sum agreements are attached as Exhibits 3-7 of the Declaration of Eugene
27 Hansen in Support of Plaintiff France Telecom, S.A.'s Opposition to *Daubert* Motion to
Exclude Opinions and Testimony of Prof. Bradford Cornell ("Hansen Decl.").

28 ² Professor Cornell's February 14, 2014 expert report is attached as Exhibit 1 to the
Hansen Declaration.

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1 to the Marvell “integrated entity” only because the best available evidence, sales projections, do
2 not differentiate between Marvell and its affiliates.

3 Marvell, without regard to the interests of MAPL or any other “Marvell” entity, would
4 have taken a lump sum license for €7.5 million because, among other reasons:

- 5 • In 2006, [REDACTED]
6 [REDACTED] (The ‘747 Patent did
7 not expire until August 29, 2012.) (Hansen Decl., Ex. 9).
- 8 • Any reasonable potential licensee would have selected a lump sum license for
9 €7.5 million if it expected to sell around [REDACTED] to the United States.
10 (*Id.*, Ex. 1 ¶¶ 63-64, Ex. 6).
- 11 • [REDACTED]
12 [REDACTED]
13 [REDACTED] (*Id.*, Ex. 1 ¶¶ 191, 197).
- 14 • [REDACTED]
15 [REDACTED] (*Id.*,
16 Ex. 1 ¶¶ 135-136, 193-195, 198).
- 17 • A lump sum license would benefit Marvell because “Marvell can sell its 3G
18 chips at a higher price (and achieve greater profit) by virtue of the fact that the
19 chips may be used in the United States even if sold elsewhere. Value is added to
20 every chip by the fact that the methods of the ‘747 Patent may be practiced in the
21 United States.” (*Id.*, Ex. 1 ¶ 196).

22 Moreover, as set forth in Section III.B, below, Marvell’s arguments with respect to
23 Professor Cornell’s alternative running royalty calculations are specious and tailored to make
24 recovery of damages in this case impossible—even though the infringer bears the risk of
25 uncertainty in determining the quantum of damages. For example, Marvell takes issue with
26 Professor Cornell for not tying his royalty base to “use” in the United States. Marvell neglects
27 to alert this Court to the fact that [REDACTED]

28 [REDACTED]. Marvell fails to inform this Court that none of France Telecom’s licenses

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1 require a “royalty per use” of the patented methods. Marvell fails to alert this Court to case law
 2 holding that a royalty base need not be based on usage. Marvell does not inform this Court that
 3 its own expert rejected a royalty determined in reference to usage. (Hansen Decl., Ex. 2 at 13,
 4 14). And Marvell fails to alert this Court that its own expert has offered an opinion regarding
 5 two running royalty calculations that is the exact same opinion offered by Professor Cornell.
 6 (*Id.*, Ex. 2 at Ex. 4, Sch. C).

7 The Court should deny Marvell’s motion to exclude the opinions of Professor Cornell.

II. LEGAL STANDARD

8
 9 The Court’s gate-keeping function under Federal Rule of Evidence 702 and *Daubert v.*
 10 *Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579 (1993), is limited to ensuring “the reliability
 11 and relevancy of expert testimony.” *Kumho Tire Co. v. Carmichael*, 526 U.S. 137, 152 (1999).
 12 “[T]he test of reliability is ‘flexible,’ and *Daubert*’s list of specific factors neither necessarily
 13 nor exclusively applies to all experts or in every case.” *Id.* at 141. “Shaky but admissible
 14 evidence is to be attacked by cross examination, contrary evidence, and attention to the burden
 15 of proof, not exclusion.” *Primiano v. Cook*, 598 F.3d 558, 564 (9th Cir. 2010) (citing *Daubert*,
 16 509 U.S. at 596).

17 “That the gatekeeping role of the judge is limited to excluding testimony based on
 18 unreliable principles and methods is particularly essential in the context of patent damages.”
 19 *Apple Inc. v. Motorola, Inc.*, -- F.3d --, 2014 WL 1646435, at *19 (Fed. Cir. Apr. 25, 2014).
 20 “[Q]uestions regarding which facts are most relevant or reliable to calculating a reasonable
 21 royalty are ‘for the jury.’” *Id.* (quoting *i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831, 856
 22 (Fed. Cir. 2010). “It is common for parties to choose different, reliable approaches in a single
 23 case and, when they do, the relative strengths and weaknesses may be exposed at trial or
 24 attacked during cross examination. That one approach may better account for one aspect of a
 25 royalty estimation does not make other approaches inadmissible.” *Id.*

26 “In constructing a hypothetical negotiation, the Federal Circuit has ‘consistently upheld’
 27 the reliability of expert testimony where the expert considers the factors enumerated in
 28 *Georgia-Pacific Corp. v. U.S. Plywood Corp.*” *Mformation Techs., Inc. v. Research in Motion*

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1 *Ltd.*, C 08-04990 JW, 2012 WL 1142537, at *3 (N.D. Cal. Mar. 29, 2012). “Because the
 2 negotiation at issue is hypothetical, any reasonable royalty analysis necessarily involves an
 3 element of approximation and uncertainty. . . . When the methodology is sound, and the
 4 evidence relied upon sufficiently related to the case at hand, disputes about the degree of
 5 relevance or accuracy (above this minimum threshold) may go to the testimony’s weight, but
 6 not its admissibility.” *Id.* (internal quotations and citations omitted).

III. ARGUMENT**A. Professor Cornell’s Damages Calculations Comport With The Law And The Factual Record**

7
 8
 9
 10 Marvell first asserts that Professor Cornell applied “erroneous legal standards.” He did
 11 not. Professor Cornell applied the widely accepted *Georgia Pacific* factors in an effort to
 12 determine what Marvell would have agreed to pay in a hypothetical negotiation for a license to
 13 practice the ‘747 Patent, which by definition is operative only in the United States. Applying
 14 these factors, he determined the value that France Telecom and Marvell would have placed on
 15 the United States rights in question and how that value would have been assessed.

1. Professor Cornell Offered A Proper *Ex Ante* Opinion

16
 17 Federal Circuit precedent requires the expert in any “reasonable royalty” case, “as best
 18 as possible, to recreate the ex ante licensing negotiation scenario and to describe the resulting
 19 agreement.” *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1325 (Fed. Cir. 2009)
 20 (emphasis added). In other words, “the negotiation must be hypothesized as of the time
 21 infringement began.” *Interactive Pictures Corp. v. Infinite Pictures, Inc.*, 274 F.3d 1371,
 22 1384-85 (Fed. Cir. 2001). An infringer’s forecasted sales, prior to first infringement, provide
 23 the best data point to determine both the infringer’s willingness to enter into a lump sum license
 24 and the lump sum amount. Whether the infringer met its forecasted sales—a *post hoc*,
 25 unknowable fact at the time of the hypothetical negotiation—lacks import in determining a lump
 26 sum, reasonable royalty. *Id.* at 1385 (“The fact that [defendant] did not subsequently meet those
 27 projections is irrelevant to [defendant’s] state of mind at the time of the hypothetical
 28 negotiation.”); *id.* (rejecting defendant’s argument that forecasts must correlate to actual sales

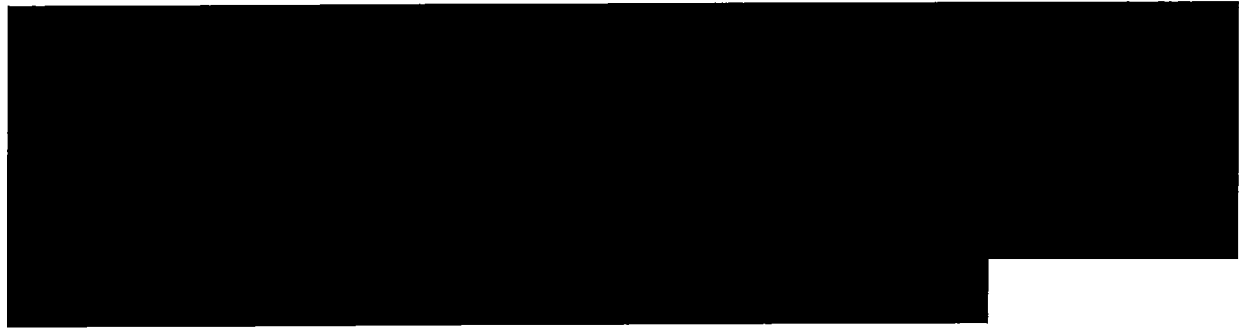
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1 because “[s]uch a proposition would essentially eviscerate the rule that recognizes sales
2 expectations at the time when infringement begins as a basis for a royalty base as opposed to an
3 after-the-fact counting of actual sales”).

4 Marvell does not fault Professor Cornell for relying upon projected sales to determine
5 the amount of any lump sum license (nor could it). Marvell instead attempts to create the false
6 impression that Professor Cornell aggregated the projections of Marvell, Marvell Technology
7 Group, Ltd. (“MTGL”) (the Bermuda parent holding company), and MAPL to arrive at his
8 opinion that Marvell would have agreed to a lump sum license of €7.5 million. For example,
9 Marvell asserts that “Professor Cornell simply contorted his analysis of the hypothetical
10 negotiation and the *Georgia-Pacific* factors to fit the 40 million unit break-even point identified
11 by France Telecom. . . .” Mot. at 6-7. Professor Cornell did no such thing.

12 Professor Cornell offers the opinion that in a hypothetical negotiation in late 2006,
13 before first infringement, France Telecom and Marvell would have valued a license to practice
14 the ‘747 Patent in reference to the then-existing forecasts of the total unit volumes of infringing
15 communications processors. (Marvell entered the communications processor business in
16 November 2006 after its parent company, MTGL, completed its acquisition of Intel
17 Corporation’s communications processor assets.)

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6 Likewise, Sehat Sutardja, the CEO of MTGL and Marvell, did not differentiate between
7 Marvell and MAPL when he announced the planned Intel transaction on June 27, 2006, and
8 stated that “Marvell’s” intent was to become “the leading supplier[] in 3G” communications
9 processors. (Hansen Decl. Ex. 14 at FT051533). Mr. Sutardja did not distinguish between
10 Marvell and MAPL when he stated that “the 3G WCDMA is going to be a huge opportunity for
11 us to grab.” (*Id.* at FT051539). And Mr. Sutardja did not distinguish between Marvell and
12 MAPL when, on November 8, 2006, he stated that “Marvell’s mission is to be a long-term,
13 leading supplier in the cellphone and consumer electronics markets.” (*Id.*, Ex. 15). To the
14 contrary, the Marvell press release setting forth Mr. Sutardja’s quote states that “the terms
15 ‘company’ and ‘Marvell’ refer to [MTGL] and its subsidiaries, including Marvell
16 Semiconductor, Inc. (MSI) [and] Marvell Asia Pte Ltd. (MAPL). . . .” (*Id.*).

17 Professor Cornell’s opinions and deposition testimony are fully consistent with the
18 *Georgia-Pacific* analytical framework. Professor Cornell looked to the best available evidence
19 regarding projected sales at the relevant time, in late 2006, to estimate the value that Marvell
20 and France Telecom would place on a prospective license to practice the ‘747 Patent in the
21 United States. France Telecom could reasonably have taken the position, and Marvell could
22 reasonably have concluded, that a license to practice the ‘747 Patent was necessary if Marvell
23 were to be able to make any of the sales it was forecasting in 2006; and given the sales volumes
24 stated above, it would have been logical and rational for Marvell to take a fully paid-up license
25 as its similarly situated rivals had done. In 2006, Marvell would have expected a running
26 royalty license to be more expensive than a lump sum license.

27 Professor Cornell’s opinion regarding a 2006 hypothetical license negotiation is not
28 undermined by treating Marvell’s 2006 sales forecasts as the relevant ones. Those forecasts do

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1 not refer to MAPL and do not purport to distinguish between sales or offers to sell by Marvell or
 2 MAPL. As of 2006 it was completely unknown what specific corporate entity would make
 3 offers to sell or sell the products that Marvell was putting forward in its sales projections.

4 Professor Cornell stated in his deposition that he considered the “integrated” Marvell
 5 entity at the hypothetical negotiation because Marvell’s forecasts do not differentiate projected
 6 sales as between Marvell and MAPL. Professor Cornell would have considered any Marvell-
 7 specific projections and presented an opinion with respect to them, but none were available.

8 This does not render Professor Cornell’s lump sum opinion legally “erroneous.” As
 9 infringer, Marvell bears the risk regarding the absence of specificity in the Marvell projections.
 10 “[W]here it is impossible to make a mathematical or approximate apportionment between
 11 infringing and non-infringing items, the infringer must bear the burden and the entire risk.”
 12 *Nickson Indus., Inc. v. Rol Mfg. Co.*, 847 F.2d 795, 799 (Fed. Cir. 1988) (internal quotation and
 13 citations omitted); *H.M. Stickle v. Heublein*, 716 F.2d 1550, 1563 (Fed. Cir. 1983) (“As a final
 14 matter we would add that the trial court may award an amount of damages greater than a
 15 reasonable royalty so that the award is ‘adequate to compensate for the infringement’” because
 16 the infringer should not be “in a ‘heads-I-win, tails-you-lose’ position.”) (quoting *Panduit Corp.*
 17 *v. Stahlin Bros. Fibre Works*, 575 F.2d 1152, 1158 (6th Cir. 1978); *Kori Corp. v. Wilco Marsh*
 18 *Buggies & Draglines, Inc.*, 761 F.2d 649, 655 (Fed. Cir. 1985) (“Fundamental principles of
 19 justice require us to throw any risk of uncertainty upon the wrongdoer rather than upon the
 20 injured party.”) (citing *Story Parchment Co. v. Paterson Parchment Paper Co.*, 282 U.S. 555
 21 (1931)); *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1065 (Fed. Cir. 1983) (“Moreover,
 22 when the amount of the damages cannot be ascertained with precision, any doubts regarding the
 23 amount must be resolved against the infringer.”); *Telemac Corp. v. US/Intelicom, Inc.*, 185 F.
 24 Supp. 2d 1084, 1099-1100 (N.D. Cal. 2001) (“Any uncertainty in calculating a damages award
 25 is to be resolved against the infringer.”) (internal quotes and citations omitted).

26 In all events, even if it could have been foreseen that an affiliate of Marvell might have
 27 made some of the projected sales, consideration of related corporate entities in the hypothetical
 28 negotiation “reflects economic reality.” *Synthes USA, LLC v. Spinal Kinetics, Inc.*, No. 5:09-cv-

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01201, 2012 WL 4483158, at *12 (N.D. Cal. Sept. 27, 2012) (accepting plaintiff's expert's testimony that the negotiating party would be "the Synthes organization as a whole"); *see also*, e.g., *Union Carbide Chemicals & Plastics Tech. Corp. v. Shell Oil Co.*, 425 F.3d 1366, 1378 (Fed. Cir. 2005) (district court properly considered sales of corporate parent in hypothetical negotiation because "the holding company would not enter any negotiation without considering the competitive position of its corporate parent"), *overruled on other grounds by Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.*, 576 F.3d 1348 (Fed. Cir. 2009); *Sealant Systems Int'l, Inc. v. TEK Global S.R.L.*, No. 5:11-cv-00774-PSG, 2014 WL 1008183, at *33-34 (N.D. Cal. Mar. 7, 2014) ("The court also credits [expert's] consideration of the interests of AMI's closely-related sister company, SSI, at the hypothetical negotiation. . . . The case law confirms that AMI may consider the effect of the license on SSI at the hypothetical negotiation. It is of no moment that AMI and SSI are sister companies and do not stand in a parent-subsidary posture."); *WBIP, LLC v. Kohler Co.*, No. 11-10374-NMG, 2013 U.S. Dist. LEXIS 63789, at *2 (D. Mass. May 3, 2013) (overruling objection to plaintiff's damages expert and noting that, in the hypothetical negotiation, "WBIP would properly consider the impact that a license agreement would have upon its affiliate, Westerbeke Corp.").

To the extent Marvell contends that, in November 2006, France Telecom and Marvell would have agreed to license the '747 Patent on the basis of non-existent information (i.e., non-existent forecasts of future transactions), that is a matter of proof at trial.

2. Professor Cornell Should Be Permitted To Offer His Lump Sum Opinion Regarding Marvell

Ample evidence supports Professor Cornell's opinion that in November 2006 Marvell would have agreed to take a €7.5 million, fully paid up license to practice the '747 Patent and thereby gain entrance into a lucrative and fast-growing business. The facts supporting this conclusion include the following:

•

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1 [REDACTED] (The '747 Patent did not expire until August 2012.) (Hansen Decl. Ex. 9,
2 Ex. 12 at MSIFT00046096).³

- 3 • Mr. Sutardja, the CEO of Marvell and MTGL, stated that Marvell intended to
4 become "the leading supplier" of 3G communications processors. (Hansen Decl.
5 Ex. 1 ¶¶ 20, 182).

- 6 • [REDACTED]
7 [REDACTED] (*Id.*, Ex. 1 ¶¶ 20, 33-36, 182-194).

- 8 • All of the volume suppliers—Marvell's competitors—took a lump sum license
9 for between [REDACTED]. (*Id.*, Ex. 1 ¶¶ 20, 51-129, 176). *See*
10 *Apple*, 2014 WL 1646435, at *29 ("As we have held many times, using
11 sufficiently comparable licenses is a generally reliable method of estimating the
12 value of a patent.").

- 13 • A lump sum license for €7.5 million is the most economical choice for any
14 licensee projecting that approximately [REDACTED] (or more) will be sold or
15 distributed in the United States. (*Id.*, Ex. 1 ¶¶ 63-64, 197, Ex. 6).

- 16 • Marvell would have expected much more than [REDACTED] of its communications
17 processors to have been sold in the U.S. [REDACTED]
18 [REDACTED] and (ii) BlackBerry
19 achieved a significant portion of its overall revenue (65% in 2006) from the U.S.
20 (*Id.*, Ex. 1 ¶¶ 191, 198).

- 21 • [REDACTED]
22 [REDACTED] (*Id.*, Ex. 1 ¶ 57).

23
24
25
26
27 ³ Professor Cornell did not have the opportunity to examine this document as part of his
28 expert report because Marvell failed to produce it until after the close of all discovery and after
Professor Cornell's report had been submitted. However, Professor Cornell noted and stressed
the importance of this document in his deposition.

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- 1 • Tracking and monitoring end customer use of communications processors is
2 impossible as a practical matter and has not historically been a basis of royalties
3 for the '747 Patent. (*Id.*, Ex. 1 ¶¶ 135-136, 193-195, 198).
- 4 • With a license under the '747 Patent, Marvell could sell 3G chips at a higher
5 price (and achieve greater profit) by virtue of the fact that the chips may be used
6 in the United States even if sold elsewhere. (*Id.*, Ex. 1 ¶ 196).
- 7 • Marvell wanted and sought a lump sum license from France Telecom in
8 negotiations. [REDACTED]
9 [REDACTED]. (*Id.*, Ex. 1 ¶¶ 40, 43, 44, 62, 96, 107,
10 137, 180).
- 11 • A lump sum license would avoid substantial costs of monitoring, auditing,
12 accounting, and administration. (*Id.*, Ex. 1 ¶¶ 20, 64).
- 13 • A reasonable chipset manufacturer would seek a broad, lump sum license,
14 covering all chipsets manufactured by it, given the portability of smartphones.
15 (*Id.*, Ex. 1 ¶ 135).

16 France Telecom here seeks damages for Marvell's infringement in the United States; and
17 the question is what amount Marvell would have agreed to pay France Telecom in a
18 hypothetical royalty negotiation conducted in November 2006, long before any "foreign sales by
19 MAPL" would have occurred. Marvell is free to try and persuade the jury that, in November
20 2006, it would have had a pessimistic, rather than an optimistic, view of its future sales
21 prospects and so would have opted to take a "running" royalty agreement and exposure to
22 royalty obligations much greater than the €7.5 million paid-up license [REDACTED]
23 [REDACTED] (and that France Telecom's FRAND obligation required be
24 paid by a licensee in Marvell's position). But that is a factual issue for the jury to decide, not a
25 question of whether Professor Cornell applied the correct legal standard. *Cf Apple*, 2014 WL
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1 1646435 at *19 (“This court has recognized that questions regarding which facts are most
2 relevant or reliable to calculating a reasonable royalty are ‘for the jury.’”) (citation omitted).⁴


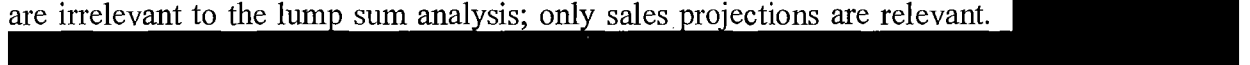
3 **3. This Court’s Summary Judgment Ruling Has No Relevance Or**
4 **Bearing Upon Professor Cornell’s Lump Sum Opinion**


5 Finally, Professor Cornell’s lump sum opinion is not contrary to the “law of the case,” as
6 Marvell incorrectly contends. Mot. at 5-6. In moving for summary judgment, Marvell
7 challenged only two of Professor Cornell’s four “running royalty” calculations. The limited
8 nature of Marvell’s motion was demonstrated by Marvell’s citation only to paragraph 22 and
9 Exhibits 4 and 5 of Professor Cornell’s expert report, provisions which concern Professor
10 Cornell’s running royalty calculations. (D.I. 135-3.) Moreover, Marvell’s proposed order
11 sought summary judgment only with respect to “sales of the accused chips transacted by
12 [MAPL], and the exclusion of plaintiff France Telecom S.A.’s claim to damages stemming from
13 the extraterritorial sales of the accused chips.” (D.I. 135-24 (emphasis added).) Professor
14 Cornell’s *ex ante* opinion on the lump sum amount does not consider sales, either extraterritorial
15 sales or alleged MAPL sales, because sales (an unknowable, *post hoc* fact at the time of the
16 hypothetical negotiation) are irrelevant.

17 The Court ruled that France Telecom could not recover damages for actual foreign sales
18 and/or actual sales made by MAPL. The Court did not address Professor Cornell’s lump sum
19 opinion, which is not based on sales.

20 **4. Marvell Conflates And Misstates The Record In Contending That**
21 **Professor Cornell Relies Upon “Worldwide” Sales Projections**

22 Marvell seeks to confuse the record when it contends that Professor Cornell “admittedly
23 relied on worldwide sales projections, rather than U.S. projections, in his analysis of the
24 hypothetical negotiation,” and therefore his lump sum opinion is “faulty and unreliable.” Mot.

25 ⁴ Marvell conflates the record when it contends that Professor Cornell supposedly
26 “” Mot. at 7. Actual sales
27 are irrelevant to the lump sum analysis; only sales projections are relevant. 

28 ). But applying the correct, *ex ante* analysis, the projections support a lump
sum license.

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1 at 7-8. In making this assertion, Marvell fails to inform the Court that there are no “U.S.” sales
 2 projections; there are only undifferentiated sales projections. (Hansen Decl., Ex. 1 ¶ 192 (“No
 3 documents have been produced indicating Marvell’s forecasted sales to the United States.”)).
 4 Marvell also fails to inform the Court that Professor Cornell testified that he considered the
 5 undifferentiated sales projections an “appropriate criterion” because he “didn’t see any way of
 6 distinguishing territories.” (*Id.*, Ex. 20 at Tr. 40:18-41:2). Marvell further fails to bring to this
 7 Court’s attention Professor Cornell’s deposition testimony in which Professor Cornell explained
 8 that, because [REDACTED]
 9 [REDACTED], Marvell would have wanted a lump sum license for €7.5 million,
 10 [REDACTED]. (*Id.*, Ex. 20 at
 11 Tr. 205:22-206:16).

12 Marvell otherwise fails to address Professor Cornell’s opinions, set forth in his expert
 13 report. Professor Cornell’s expert report explains the fundamental problem facing Marvell in
 14 the hypothetical negotiation: [REDACTED]
 15 [REDACTED]
 16 [REDACTED]. (*Id.*, Ex. 1 ¶¶ 194-195). But
 17 Marvell does want its customers and end users to know that devices with Marvell chips can be
 18 used “worldwide” or “wherever they go,” including the United States. (*Id.*, Exs. 21-22).

19 [REDACTED]
 20 [REDACTED]
 21 [REDACTED]
 22 [REDACTED]
 23 (given France Telecom’s standard running royalty rates for the 3G application, which could
 24 neither increase nor decrease materially in light of France Telecom’s FRAND obligations).
 25 Professor Cornell accordingly concludes:

26 [REDACTED]
 27 [REDACTED]
 28 [REDACTED]

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1 [REDACTED]
 2 [REDACTED]
 3 (Id., Ex. 1 ¶ 197).

4 Professor Cornell sets forth numerous other points in his report supporting the
 5 conclusion that Marvell would have taken the lump sum license for €7.5 million, none of which
 6 has any relationship to “worldwide” sales. For example, Professor Cornell notes that Marvell
 7 “would have wanted flexibility to sell as many units in the United States as possible, given the
 8 importance of the United States market”—“[REDACTED]”
 9 [REDACTED]

10 [REDACTED]” (Id., Ex. 1 ¶ 198). Professor Cornell also explains that “Marvell can sell its 3G
 11 chips at a higher price (and achieve greater profit) by virtue of the fact that the chips may be
 12 used in the United States even if sold elsewhere. Value is added to every chip by the fact that
 13 the methods of the ‘747 Patent may be practiced in the United States.” (Id., Ex. 1 ¶ 196).
 14 Professor Cornell also notes that Marvell intended “to lead the cell phone market’s transition
 15 through 3G solutions as the leading supplier in the cell phone market,” which includes the U.S.
 16 market. (Id., Ex. 1 ¶¶ 20, 182). The United States market was the most important market for
 17 BlackBerry, Marvell’s overwhelmingly largest customer, given that BlackBerry achieved 65%
 18 of its revenue in the U.S. for the relevant time period. (Id., Ex. 1 ¶¶ 187-189, 191).

19 **5. Marvell’s Challenge To Professor Cornell’s Lump Sum Opinion Is A**
 20 **Non Sequitur**

21 Marvell claims that “[e]ach of Professor Cornell’s damages opinions—including his
 22 lump sum damages theory”—should be precluded because Professor Cornell supposedly “made
 23 no effort to quantify the actual number or percentage of MSI accused chips” used in the United
 24 States. Mot. at 8, 9 (emphasis in original). Marvell tellingly fails to explain why Professor
 25 Cornell’s lump sum opinion should be precluded on this ground, and for good reason.

26 As noted above, to determine the outcome of the hypothetical negotiation, the law
 27 requires an *ex ante* analysis, focusing on the facts and circumstances at the time of first
 28 infringement. See, e.g., *Lucent*, 580 F.3d at 1325 (“The hypothetical negotiation tries, as best as
 possible, to recreate the *ex ante* licensing negotiation scenario and to describe the resulting

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1 agreement.”) (emphasis added); *Interactive Pictures*, 274 F.3d at 1384-85 (“When that
 2 [hypothetical negotiation] framework is employed, the negotiation must be hypothesized as of
 3 the time infringement began.”); *Georgia Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp.
 4 1116, 1123 (S.D.N.Y. 1970) (“In February 1955, USP had no reason to anticipate that there
 5 would be a significant decline in the demand for Weldtex in the foreseeable future. In fact, no
 6 such decline took place for two years subsequent to February 1955.”).

7 The *ex ante* analysis means that what “actually” happened lacks import, because what
 8 “actually” happened can be known only in hindsight. For this reason, the “actual” sales and
 9 “actual” use of Marvell chips in the United States do not determine the outcome of the
 10 hypothetical negotiation. For purposes of determining the lump sum, the question is Marvell’s
 11 projected sales and projected use of Marvell chipsets. Here, the Marvell projections, Marvell’s
 12 stated intent to become “the leading supplier” of 3G-capable chips, and BlackBerry’s significant
 13 U.S. presence (among other facts) all support a lump sum license of €7.5 million—as Professor
 14 Cornell explains at length in his report.

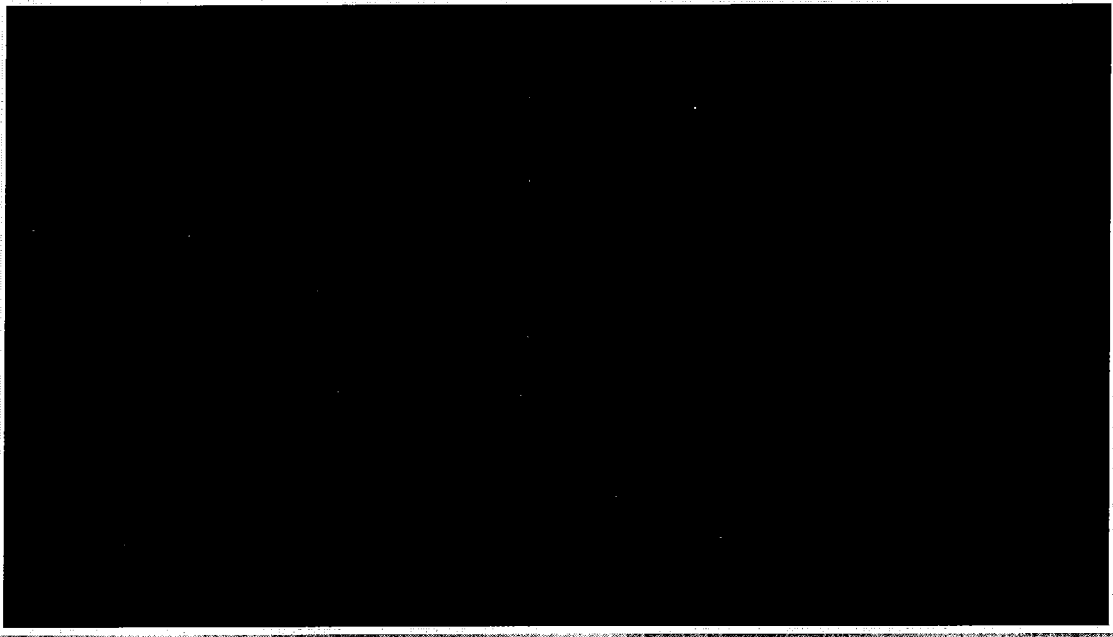
15 **B. Marvell’s Assertion That The Reasonable Royalty Must Be Determined In**
 16 **Reference To Number Of “Uses” Of The Patented Methods Is Contrary To**
Law And Common Sense

17 Separate from his lump sum opinion, Professor Cornell has provided calculations of
 18 what France Telecom would be entitled to recover if it elected to press an “analytical approach”
 19 to damages, *see TWM Mfg. Co. v. Dura Corp.*, 789 F.2d 895, 899 (Fed. Cir. 1986), based on the
 20 magnitude of Marvell’s actual infringement between 2006 and 2012. Marvell contends that
 21 Professor Cornell’s alternative running royalty damages opinions should be excluded, because
 22 Professor Cornell does not tie his damages numbers to “use” in the United States and
 23 “speculate[s] that 100% of the accused chips were imported and used in an infringing manner in
 24 the United States.” Mot. 8-13. This contention requires brass given that Professor Cornell and
 25 Marvell’s own expert, Julie Davis, have put forward the exact same running royalty analysis.

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1. Marvell Has No Basis For Challenging Professor Cornell's Alternative Running Royalty Calculation Of €3.9 Million

As an alternative to his lump sum opinion, Professor Cornell set forth four alternative running royalty calculations. (Hansen Decl., Ex. 1 ¶ 22, Exs. 5A-5F). One of Professor Cornell's royalty bases considers only those communications processors (i) for which Marvell recognized revenue on sales (not MAPL or any other "Marvell" entity) and (ii) shipped to the United States. Professor Cornell excluded all communications processors shipped to countries other than the United States. This royalty base of more than [REDACTED] chipsets yields damages of €3,919,060 million. (Hansen Decl. Ex. 1 at Ex. 5E.) Marvell's expert, Julie Davis, put forward the exact same running royalty opinion in her expert report. Ms. Davis justified this opinion by explaining that Marvell communications processors shipped to the United States provided a "proxy for those units used in the U.S." (*Id.*, Ex. 2. at 14.) Ms. Davis sets forth this calculation at Exhibit 4, Schedule C, imaged below:



Professor Cornell and Ms. Davis agree on every aspect of this potential damage number, including the number of Marvell units sold into the United States and the applicable rates.⁵

⁵ The only disagreement concerns Ms. Davis's opinion that the running royalty should be "capped" at her lump sum amount, based on the so-called Book of Wisdom. Ms. Davis should be precluded from offering this "cap" opinion because it is contrary to the requirement that she put forward an *ex ante* analysis. See Plaintiff's Motion in Limine (D.I. 184) at 5-10.

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1 Marvell's purported grounds to exclude Professor Cornell for offering the exact same
 2 opinion as its own expert are not well taken. First, Marvell has adopted the opinion of Ms.
 3 Davis by referencing her expert report in its interrogatory response. (Hansen Decl., Ex. 13 at
 4 39, 40). Marvell should be estopped from challenging an analysis and damages quantification
 5 that it has adopted as correct.

6 Second, Marvell's contention that the running royalty base must be determined in
 7 reference to "actual use" in the United States, as opposed to some other benchmark (such as
 8 shipments to the United States), misstates the law and fails the common sense test. The '747
 9 Patent sets forth method claims, and is infringed when the patented methods are practiced in the
 10 United States. [REDACTED]

11 [REDACTED]
 12 (Hansen Decl., Ex. 8 at Tr. 41:4-9, 42:6-10, 44:25-
 13 45:20). [REDACTED]

14 [REDACTED] (*Id.*, Ex. 2 at 13, 14). The
 15 result of the hypothetical negotiation could never be a "fee per United States use" [REDACTED]
 16 [REDACTED]

17 Nor would such a fee be workable in the real world. One U.S. user could practice the
 18 patented methods dozens or even hundreds of times per day (e.g., by sending emails, pictures,
 19 downloading or uploading data from his or her smartphone). Tens of millions of infringing acts
 20 likely occurred each day, and hundreds of millions of acts of U.S. infringement (or more) likely
 21 occurred over the life of the '747 Patent. How could the parties ever attempt to assign value to
 22 such "usage"? Would each usage require a fee of 1/100 of a penny? 1/1,000 of a penny?
 23 1/10,000 of a penny? Administering any such system, involving millions upon millions of
 24 "uses" otherwise would be impractical if not impossible. *See, e.g., Lucent*, 580 F.3d at 1334
 25 ("The administrative cost of monitoring usage can be prohibitively expensive."); *Carnegie*
 26 *Mellon University v. Marvell Tech. Group Ltd.*, 986 F. Supp. 2d 574, 636 (W.D. Pa. 2013)
 27 (rejecting a per-usage running royalty because "quantifying a per use fee in this case is nearly
 28 impossible").

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1 For these reasons, the Federal Circuit does not require a royalty base determined in
 2 reference to United States usage. The parties may agree upon a reasonable proxy for use in the
 3 hypothetical negotiation, including by valuing the right to use the patented invention in the
 4 United States. The Court in *Lucent* addressed this issue squarely:

5 [W]e have never laid down any rigid requirement that damages in all
 6 circumstances be limited to specific instances of infringement proven with direct
 7 evidence. Such a strict requirement could create a hypothetical negotiation far
 8 removed from what parties regularly do during real-world licensing negotiations.
 9 As shown by the evidence in this case, companies in the high-tech computer
 10 industry often strike licensing deals in which the amount paid for a particular
 11 technology is not necessarily limited to the number of times a patented feature is
 used by a consumer. A company licensing a patented method often has strong
 reasons not to tie the royalty amount strictly to usage. The administrative cost of
 monitoring usage can be prohibitively expensive. Furthermore, with some
 inventions, say for example a method of detecting fires, value is added simply by
 having the patented invention available for use.

12 580 F.3d at 1334; *see also Powell v. Home Depot U.S.A, Inc.*, 663 F.3d 1221, 1240 (Fed. Cir.
 13 2011) (“we have held that when considering the amount of a use-based reasonable royalty
 14 adequate to compensate for the infringement, 35 U.S.C. § 284, a jury may consider not only the
 15 benefit to the patentee in licensing the technology, but also the value of the benefit conferred to
 16 the infringer by use of the patented technology”); *Zenith Corp. v. Hazentine*, 395 U.S. 100, 138
 17 (1969) (“It could easily be . . . that the licensee as well as the patentee would find it more
 18 convenient and efficient from several standpoints to base royalties on total sales than to face the
 19 burden of figuring royalties based on actual use”); *Carnegie Mellon*, 986 F. Supp. 2d at 643
 20 (“[T]he jury could have properly considered as illogical an agreement to a per chip royalty
 21 predicated on an analytic neither party knows or tracks, and, depending on estimates, could vary
 22 by millions.”).

23 The 50+ licenses that France Telecom has entered into regarding the ’747 Patent provide
 24 one solution to the impracticality, if not impossibility, of setting a per-use fee. Those licenses
 25 require licensees to pay a running royalty based on “Sales” in patent territories. The licenses
 26 broadly define “Sale,” and therefore the licensee’s royalty obligation, as “any sale, rental, lease,
 27 exportation even without any compensation, or other form of distribution of a product in a
 28 [patent] Territory.” (Hansen Decl., Ex. 23 at Art. 1.1.18). Here, in addition to being a United

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1 States “sale,” shipping [REDACTED] Marvell communications processors to the United States is a
 2 “form of distribution of a product in a Territory.” Moreover, to the extent that these Marvell
 3 communications processors later were exported to Mexico, as Marvell apparently believes, then
 4 there was “exportation [from the United States] even without any compensation.” France
 5 Telecom’s license agreements for the ‘747 Patent support Professor Cornell’s conclusion (and
 6 Ms. Davis’s conclusion) that Marvell would have agreed to pay a running royalty for at least the
 7 [REDACTED] Marvell chips shipped directly to the United States.

8 Marvell speculates that not all [REDACTED] processors may have been “used” in the United
 9 States ([REDACTED]
 10 [REDACTED]). But the question
 11 is not whether there were [REDACTED] “uses” or “acts of infringement” in the United States.
 12 Nobody buys a \$300 smartphone and uses it once. If just 1,000,000 phones were “used” in the
 13 United States, those same 1,000,000 phones may have infringed the ‘747 Patent hundreds of
 14 millions, indeed billions, of times. The question is how to value the right to use the patented
 15 methods in the U.S., when usage cannot be tracked. The France Telecom licenses provide one
 16 solution adopted by both damages experts in this case.

17 The Federal Circuit’s decision in *Power Integrations, Inc. v. Fairchild Semiconductor*
 18 *Int’l, Inc.*, 711 F.3d 1348 (Fed. Cir. 2013), has no relevance to Marvell’s argument. There, the
 19 court rejected as speculative an estimate that 18% of accused devices sold overseas were
 20 imported into the United States. This case presents no such concern. With respect to Professor
 21 Cornell’s running royalty damages calculation of €3.9 million, Marvell’s documents establish—
 22 and Marvell’s expert agrees—that 100% of the Marvell communications processors were
 23 shipped directly to the United States. (Hansen Decl., Ex. 1 at Ex. 5E; Ex. 2 at Ex. 4, Sch. C).

24 **2. Marvell Has No Basis For Challenging Professor Cornell’s**
 25 **Alternative Running Royalty Calculation Of €2.4 Million**

26 Marvell also challenges Professor Cornell’s alternative running royalty calculation of
 27 €2.4 million, which Professor Cornell determined in reference to data provided by BlackBerry
 28 in discovery showing that, for the relevant time period, [REDACTED]

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1 [REDACTED] Marvell
 2 claims that this opinion, too, should be excluded because it does not differentiate between
 3 "Marvell" and "MAPL" communications processors ([REDACTED])
 4 [REDACTED]
 5 [REDACTED]). Mot. at 12-13.

6 Marvell again neglects to inform the Court that its own expert has offered a running
 7 royalty opinion based upon this very document. Ms. Davis explained that she considered
 8 BlackBerry's U.S. sales a reasonable proxy for determining the running royalty because
 9 (i) "[REDACTED]"
 10 [REDACTED]
 11 [REDACTED]" (Hansen Decl. Ex. 2 at 13, 14 (emphasis in original).) Ms. Davis's opinion matches
 12 Professor Cornell's opinion in every respect, including regarding rates and royalty base.
 13 *Compare* Cornell Ex. 5F (Ex. 1 of Hansen Decl.) *with* Davis Ex. 4, Sch. C (Ex. 2 of Hansen
 14 Decl.).

15 Marvell also neglects to inform the Court that Marvell did more than just adopt Ms.
 16 Davis's opinion in its interrogatory responses. Marvell incorporated the referenced BlackBerry
 17 document, BB00001, as "relevant" and as part of its response to an interrogatory asking Marvell
 18 to describe "the facts and legal bases that Marvell will rely on to support any calculation of
 19 damages." (Hansen Decl., Ex. 13 at 49). The document cannot be "relevant" to determine the
 20 calculation of damages and, at the same time, "flawed and unreliable."

21 In all events, Marvell again misstates the controlling legal standard. Professor Cornell
 22 relied upon the best available evidence—the same evidence acknowledged by Marvell as
 23 "relevant" to the damages calculation. Courts do not exclude experts for citing to and relying
 24 upon the best available information, particularly when the opposing party has conceded
 25 relevance. Marvell will have every opportunity to cross examine Professor Cornell with respect
 26 to his reliance upon the BlackBerry data. *See, e.g., Apple*, -- F.3d --, 2014 WL 1646435, at *19
 27 ("This court has recognized that questions regarding which facts are most relevant or reliable to
 28 calculating a reasonable royalty are 'for the jury.'") (citation omitted); *id.* at *23

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1 (“disagreements about the factual underpinnings of an expert’s analysis go to weight, not
 2 admissibility”) (citation omitted); *MediaTek Inc. v. Freescale Semiconductor, Inc.*, 11-CV-5341
 3 YGR, 2014 WL 2854890, at *5 (N.D. Cal. June 20, 2014) (“[Infringer’s] quarrels with this
 4 [expert testimony] evidence are not a basis for its exclusion, but are disagreements and
 5 credibility challenges that can be clarified on cross-examination.”); *Mformation Techs., Inc.*, C
 6 08-04990 JW, 2012 WL 1142537, at *3 (N.D. Cal. Mar. 29, 2012) (“When the methodology is
 7 sound, and the evidence relied upon sufficiently related to the case at hand, disputes about the
 8 degree of relevance or accuracy (above this minimum threshold) may go to the testimony’s
 9 weight, but not its admissibility.”). In all events, Marvell bears the risk of any uncertainty in the
 10 BlackBerry sales document. *See Nickson*, 847 F.2d at 799 (“[W]here it is impossible to make a
 11 mathematical or approximate apportionment between infringing and non-infringing items, the
 12 infringer must bear the burden and the entire risk.”); *supra* at 7 (citing cases).

13 Finally, Marvell’s contention that Professor Cornell should be excluded from offering
 14 his running royalty opinion because “sales” in the United States do not equate to “use” in the
 15 United States is again without merit. Mot. at 13. [REDACTED]
 16 [REDACTED], as noted above, the law permits the parties to agree upon a proxy royalty
 17 base rather than a “fee per United States use.”

18 **3. The Court Should Permit Professor Cornell To Testify Regarding**
 19 **His Alternative Running Royalty Calculation Of €12.3 Million**

20 Professor Cornell also puts forward an alternative running royalty calculation of €12.3
 21 million considering all 3G chips sold to BlackBerry. The royalty base for this calculation
 22 includes sales of communications processors regarding which, according to Marvell, MAPL
 23 purportedly recognized revenue. [REDACTED]
 24 [REDACTED]
 25 [REDACTED]
 26 [REDACTED]
 27 [REDACTED]

28 ⁶ See Hansen Decl., Ex. 1 ¶ 22, [REDACTED]
 [REDACTED]

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These are “[e]xemplar”

packing slips and invoices according to Marvell’s counsel.⁷ (*Id.*, Ex. 19 at 2).

By engaging in these acts Marvell sold and offered to sell the patented methods and also put the claimed methods “into service,” *Centillion Data Sys., LLC v. Qwest Comm. Int’l, Inc.*, 631 F.3d 1279, 1284 (Fed. Cir. 2011) (quoting *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1316-17 (Fed. Cir. 2005)), a distinct form of infringement in and of itself. Marvell’s actions also fully support an inference of direct infringement by at least some end users. Professor Cornell accordingly should be permitted to testify regarding this alternative running royalty calculation. Nothing in the Court’s summary judgment decision precludes France Telecom from proving at trial that the sales in question were Marvell (as opposed to MAPL) United States sales.

C. **In All Events, Professor Cornell Should Be Permitted To Testify Concerning The Non-Challenged Opinions Set Forth In His Report**

Solely out of an abundance of caution, France Telecom notes that Marvell seeks to preclude Professor Cornell from presenting only “certain opinions” at trial. Mot. at 1. Marvell does not challenge, and Professor Cornell should be permitted to testify with respect to, among other things:

- The proper running royalty rate (a point on which Professor Cornell and Ms. Davis agree). (Hansen Decl., Ex. 1 ¶¶ 199-201, 205).

⁷ Marvell’s 30(b)(6) witness testified that

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- 1 • The role and importance of each of the 15 Georgia Pacific factors, including
2 Professor Cornell's opinion that Georgia-Pacific Factor 1, which addresses the
3 royalties received by licensor for licensing the patent, "plays the primary role, if
4 not the overwhelming role, in determining a reasonable royalty between the two
5 parties." (*Id.* ¶ 49).
- 6 • The volume suppliers of communications processors all selected a lump sum
7 license for between [REDACTED]. Those licensees selecting a running
8 royalty had minimal sales or were exiting the business altogether. (*Id.*
9 ¶¶ 63-129).
- 10 • France Telecom established a going rate for lump sum licenses of between [REDACTED]
11 [REDACTED] irrespective of territory. (*Id.* ¶ 137).
- 12 • Any potential licensee projecting more than [REDACTED] sold or used in the
13 United States would have selected a lump sum license. (*Id.* ¶¶ 63, 197, Ex. 6
14 ("Units to Break-Even for €7,500,000 Lump Sum")).
- 15 • Marvell can sell its 3G communications processors at a higher price (and achieve
16 greater profit) by virtue of the fact that chips may be used in the United States
17 even if sold elsewhere. Value is added to every chip by virtue of the fact that the
18 methods of the '747 Patent may be practiced in the United States. (*Id.* ¶ 196).
- 19 • Marvell reasonably could have expected [REDACTED] or more of its
20 communications processors to have been sold in the United States, including
21 [REDACTED]. (*Id.* ¶ 197).
- 22 • Even if Marvell did not believe that it was going to sell [REDACTED] units to the
23 United States, Marvell would have wanted the flexibility to sell as many units to
24 the United States as possible and, for that reason, reasonably would have selected
25 a lump sum license. In all events, Marvell would have needed to assure its
26 customers that end consumers, regardless of where the handset was purchased,
27 could use their handsets in the United States when they had occasion to visit the
28 United States. (*Id.* ¶ 198).

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- A reasonable and rational licensee would want to take the broadest possible license because it cannot control, and must assume, that its communications processors may be used in the United States. (*Id.* ¶ 136).

France Telecom also notes, again out of an abundance of caution, that there is no “requirement” or “burden” for the patentee’s expert to put forward a specific quantum of damages. The Federal Circuit addressed this precise question in *Apple*. The Court explained that exclusion of the patentee’s damages expert did not warrant summary judgment, noting that “[e]ven if Apple had not submitted expert evidence, this alone would not support a finding that zero is a reasonable royalty.” *Apple*, --- F.3d at ---, 2014 WL 1646435, at *33. This result flows from that fact that the patent statute requires an award of damages “in no event less than a reasonable royalty” in the event that infringement is proven. *Id.* at *31 (quoting 35 U.S.C. § 284). “If a patentee’s evidence fails to support its specific royalty estimate, the fact finder is still required to determine what royalty is supported by the record.” *Id.* at *31 (emphasis added).

IV. CONCLUSION

For all of the foregoing reasons, the Court should deny Marvell’s *Daubert* Motion to Exclude Opinions and Testimony of Professor Cornell.

Dated: August 19, 2014

FRIED, FRANK, HARRIS, SHRIVER
& JACOBSON LLP

By: /s/ Joseph J. LoBue

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